

SECTION 9

FINANCIAL REPORTING

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ANNUAL FINANCIAL REPORT REQUIREMENTS

Food service revenues and expenditures must be tracked and reported annually. Reporting requirements differ among public schools, charter schools, private schools, residential schools, Bureau of Indian Affairs (BIA) schools, and correctional institutions/state schools.

Public schools and charter schools must submit their Annual Financial Reports (AFR) by October 15. All other agencies must submit their AFR by October 1. Reimbursement claims will be withheld if the AFR is not received by the due date.

Value of Commodities

Sponsors are responsible for tracking the value of commodities received. The Food Distribution Program sends a report showing the value of commodities each district received. The district must reconcile this report with its own report. Any discrepancies should be reported to the Food Distribution Program. Report separately the value of all commodities and freight charges, including those received for the Summer Food Program, on the AFR. DO NOT include charges for processing or storing of commodities in value of commodities. Note that the Summer Food Program crosses school years. It may be necessary to report the commodities received in July and August of the previous year and also those received in June of the present year.

Meals Served

Enter the actual number of meals served (include Summer Food and Child and Adult Care Food Program meals) during the period from July 1 through June 30 for the following:

CHILDREN'S Reimbursable BREAKFAST, LUNCH and SNACK

ADULT WORKER'S BREAKFAST, LUNCH and SNACK (food service employees, cafeteria monitors, or maintenance personnel who receive free meals).

OTHER ADULT'S BREAKFAST, LUNCH and SNACK (teachers, parents, & other school employees not working in the cafeteria and who do not receive their meals free).

SUPPERS (Non-public schools only)

SNACKS / A LA CARTE / CATERING

Suppers

Suppers must be tracked and reported on the AFR by BIA Schools, juvenile correctional institutions, private schools, residential childcare facilities and boarding schools. Suppers are not reimbursable, however, they are used in calculating per meal costs.

Snacks / A La Carte / Catering

Public and non-public schools report the total of all non-reimbursable snacks, a la carte and catering revenue divided by the reporting year's reimbursement rate for a free lunch. If no revenue is collected, report the actual number of snacks served. BIA schools and residential childcare institutions (RCCIs) report the actual number of snacks served.

USE OF THE ANNUAL FINANCIAL REPORT

The data that is submitted on the AFR is used by the CNP office for the following:

1. Each year the ADE is required to report and match the amount of State funds expended by school districts and charter schools for the operation of their food service program. The Code of Federal Regulations, CFR Part 210.17(a) states "For each school year, the amount of State revenues appropriated or used specifically by the State for program purposes shall not be less than 30 percent of the funds received by such State under Section 4 of the National School Lunch Act." Therefore, ADE is requiring each district/charter school that participates in the National School Lunch Program to budget and expend 30% of the amount of Section 4, General Assistance funds reimbursed to the district/charter schools during prior school year. The funds must be State funds budgeted from the Maintenance & Operation, Unrestricted Capital Outlay funds, and Soft Capital Allocation Funds expended for the operation of the food service program. The expended funds must be reported on the Food Services page of the Annual Financial Report. ADE will notify the district/charter schools of their state match requirement in May or June of each school year. The amount of revenue is calculated by using the previous school year's total number of Free, Reduced Price and Paid Lunches multiplied by that year's reimbursement for Paid Lunch. Thirty percent of this amount is the amount that must be included on the next year's Budget and the Annual Financial Report. ADE will compare the expended amount reported on the Annual Financial with calculated required amount. Any district/school that fails to comply with the state match requirement will jeopardize future reimbursements to the Food Service Program.
2. The CNP office computes the per-meal costs for each sponsor by using the data submitted on the AFR. The Per Meal Breakfast Cost (PMBC) determines whether a site under the sponsor qualifies for Severe Need Breakfast and the reimbursement amount a sponsor will receive (See Severe Need Breakfast Eligibility Section).
3. USDA regulations [CFR Part 210.14(b)] state that Net Cash Resources shall not exceed three months average expenditures for the nonprofit school food service. The AFR is used to determine Excess Cash by subtracting expenditures from revenues and then subtracting three times the average monthly expenditures from that total (See Net Cash Resources Section).

SEVERE NEED BREAKFAST

Eligibility

Sponsors who have school sites eligible for Severe Need Breakfast Program receive a higher rate of reimbursement. The following criteria must be met to be eligible for the program:

- ✓ A school site must serve forty percent (40%) or more free and reduced-price lunches in the second preceding year. The forty percent (40%) criteria are computed on a school-by-school basis and not on district totals. Sponsors eligibility will be determined during the application renewal process. The total number of lunches by category (Free, Reduced-Price and Paid) that were served in the second preceding year is entered by the CNP Web system into the site application based on information submitted on site claims. The percentage of Free and Reduced Lunches served is displayed in section 5. (Site-Level Supporting Data for Site Eligibility).

NET CASH RESOURCES

Monitoring of Net Cash Resources

The CNP office recommends that sponsors track their net cash resources throughout the year to ensure that they do not exceed three months average expenditures for their nonprofit food service. Sponsors are notified in writing if they have an excess cash balance at the end of a school year. The sponsor is then required to submit a corrective action plan that must be approved by the CNP office. After submission of the Corrective Action Plan, a net cash resources worksheet (Exhibit B) must be submitted monthly until the excess cash is eliminated.

Computing Excess Cash

The average monthly expenditure for one month is computed by dividing the total food service expenditures (Fund 510 only for public schools) by the number of operating months. The total is then multiplied by three to determine the average expenditures for a three-month period. This total is subtracted from the ending food service fund balance to determine amount of excess cash.

Eliminating Excess Cash

Excess cash can be used for nutrition education activities such as curriculum development, purchase of nutrition education materials and supplies, or in hiring a nutrition consultant to assist in planning an education project. Utilizing excess cash to support computerized nutritional analysis or improving food quality may emphasize nutrition integrity. Reducing meal prices or purchasing new equipment for the food service area may also be considered.

FOOD SERVICE FUNDS CANNOT BE USED TO PURCHASE LAND OR TO ERECT BUILDINGS.

Limiting School's Reimbursement

In the event that net cash resources still exceed 3 months' average reimbursement by the end of school year, the ADE may require the school food authority to reduce the price children are charged for lunches, improve food quality or take other action designed to improve the nonprofit school food service. In the absence of any such action, the Code of Federal Regulations CFR 210.18 (b) requires ADE [to] "make adjustments in the rate of reimbursement under the Program" for next school year.

INDIRECT COSTS

A public school participating in the NSLP can charge the food service funds (510) for indirect costs. This is a permissive procedure left to the discretion of the school district to implement if they so choose. The non-restricted indirect cost rate is a percentage calculated by the Department of Education for each school year. The percentage is determined using the formula from the school district's annual financial report.

The Role Of Indirect Cost Rate

Indirect cost associated with Food Services plays a significant role in the calculation of cost per meal especially when calculating the cost of breakfast. Indirect cost is also key for determining Severe Need Breakfast eligibility and is one aspect necessary for calculating the Severe Need Breakfast reimbursement rate. This section explains the concept and usage of Indirect Cost.

Indirect Costs

Costs that are incurred for the common benefit of more than one district activity and are not specifically identifiable with a particular activity. Indirect costs may be allocated and charged to a state or federal project along with direct costs when an indirect cost rate has been approved by the Arizona Department of Education. Indirect costs generally include costs for custodians and maintenance personnel, fuel for heat, water and sewerage, electricity, gas, telephone, custodial supplies, pest control, waste removal, other supplies and expenses for operation and maintenance of the plant (except replacement of equipment), business support services, personnel administration, data processing, insurance, general administrative supplies and audits.

Direct Costs

Costs directly associated with the food service operation provided a separate documentation for audit purposes is available. If there is separate billing to the food service program then the associated costs are direct costs.

(e.g. separate electric meter for the kitchen with a separate electric bill paid from the food service account, separate billing to the food service account for garbage removal and/or pest control, separate billing to the food service account for the food service audit, etc.)

Restricted VS Unrestricted ICR

Restricted ICR does not include Plant Maintenance Expenditure. Food Service uses the Unrestricted ICR

ARIZONA DEPARTMENT OF EDUCATION
CHILD NUTRITION PROGRAMS
COMPUTING PER MEAL COSTS INSTRUCTIONS

1. **ELIGIBLE CHILDREN AND ADULT WORKER BREAKFAST EQUIVALENT MEALS** – The actual number of Children's Breakfast and Adult Worker Breakfasts served are added. The sum is then multiplied by .6 (1 breakfast = $\frac{6}{10}$ th of 1 lunch).
2. **ELIGIBLE LUNCH EQUIVALENT MEALS** – For a total of lunch equivalent meals, add the number of Children's Lunches served and number of Adult Worker Lunches served.
3. **ELIGIBLE AFTER SCHOOL CARE SNACKS (ASCS) EQUIVALENT MEALS** – For a total of ASCS equivalent meals, add the number of Children's ASCS served and number of Adult Worker ASCS served. The sum is then multiplied by .3333 (1 ASCS = $\frac{1}{3}$ of 1 lunch).
4. **INELIGIBLE MEAL EQUIVALENTS** – The actual number of Other Adult Breakfasts served is multiplied by .6. Add Other Adult Lunches and Other Adult ASCS multiplied by .333 plus A la Carte Snacks.
5. **PERCENT ELIGIBLE BREAKFASTS** – The number of Eligible Breakfasts is divided by a total of Eligible Breakfasts + Eligible Lunches + Eligible ASCS.
6. **PERCENT ELIGIBLE LUNCHES** – The number of Eligible Lunches is divided by a total of Eligible Breakfasts + Eligible Lunches + Eligible ASCS.
7. **PERCENT ELIGIBLE ASCS** – The number of Eligible ASCS is divided by a total of Eligible Breakfasts + Eligible Lunches + Eligible ASCS.
8. **PERCENT ELIGIBLE MEALS** – The number of Eligible Breakfasts + Eligible Lunches + Eligible ASCS is divided by a total of Eligible Breakfasts + Eligible Lunches + Eligible ASCS + Ineligible Meal Equivalents.
9. **INDIRECT COST BASE** – Allowed Expenditures (Food Service Fund 510 Excluding Food, Equipment, Value of Commodities and Property).
10. **ALLOWABLE INDIRECT COSTS** – Multiply Indirect Cost Base by (Indirect Cost Rate x .01).
11. **GRAND TOTAL COSTS** – Equal to Grand Total Expenditures (Food Service Fund 510 + Maintenance & Operation Fund 001 + Capital Purchases Funds 610 & 625) – Indirect Costs Expenditure + Allowable Indirect Cost.
12. **TOTAL ELIGIBLE COSTS** – Multiply Grand Total Costs by Percent Eligible Meals.

13. **TOTAL BREAKFAST COST** – Multiply Total Eligible Costs by Percent Eligible Breakfasts.
14. **TOTAL LUNCH COST** – Multiply Total Eligible Costs by Percent Eligible Lunches.
15. **TOTAL ASCS COST** – Multiply Total Eligible Costs by Percent Eligible ASCS.
16. **PER MEAL BREAKFAST COST (PMBC)** – Divide Total Breakfast Cost by total number of Children's Breakfasts + total number of Adult Worker's Breakfasts.
17. **REDUCED PER MEAL BREAKFAST COST (RPMBC)** – Per Meal Breakfast Cost minus largest Reduce Breakfast Price for breakfast.
18. **PER MEAL LUNCH COST (PMLC)** – Divide Total Lunch Cost by total number of Children's Lunches + total number of Adult Worker's Lunches.
19. **PER MEAL ASCS COST (PMASCSC)** – Divide Total ASCS Cost by total number of Children's ASCS + total number of Adult Worker's ASCS.

NET CASH RESOURCES WORKSHEET

CTD# _____ SPONSOR NAME _____

MONTH _____ YEAR _____

This form is to be used by schools which operate with a separate food service account and have an ending balance in excess of their average three (3) months' expenditures. Complete this form at the end of each month when required by the Child Nutrition Programs office.

Net Cash Resources means all monies that are available to, or have accrued to a school's non-profit food service account at any time during the specified month, less accounts payable. Indirect costs are included in determining the average monthly expenditures.

CASH ON HAND

- a. Change Funds \$ _____
(Funds held by cashier(s) to make change)
- b. Deposits in Transit \$ _____
(Funds sent to the bank or County Treasurer,
but not yet recorded)

CASH DEPOSITED

- c. Fund Balance at Commercial Bank \$ _____
- d. Food Service Fund (Public Schools 710) Balance \$ _____
(Fund Balance at the County Treasurer)

TOTAL CASH AVAILABLE \$ _____
(Total a - d)

**LESS: Accounts Payable (Unpaid Invoices,
Wages & Indirect Cost if any)** \$ _____

CASH AVAILABLE AFTER ACCOUNTS PAYABLE \$ _____

Cash Available cannot be
higher than the Average Three
Months Expenditures below.

AVERAGE THREE MONTHS' EXPENDITURES \$ _____

Total Food Service Expenditures year-to-date, divided by the number of operating months to date, times three.

Signature and Title of Authorized Representative

Date